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ACCOUNTING

## VAT Deferrals - what you need to know...

One of the measures introduced as part of the government's support package for businesses during the COVID-19 pandemic was to allow all VAT registered businesses (except those on the VAT MOSS scheme) to defer VAT payments between 20th March 2020 and the end of June until 31 March 2021.

The exact wording from HMRC is as follows:

*"For VAT, the deferral will apply from 20 March 2020 until 30 June 2020. All UK businesses are eligible. This is an automatic offer with no applications required. Businesses will not need to make a VAT payment during this period. Taxpayers will be given until the end of the 2020 to 2021 tax year to pay any liabilities that have accumulated during the deferral period. VAT refunds and reclaims will be paid by the government as normal."*

So let's talk about the reality of how this will practically impact on your UK business.

- VAT returns still need to be filed on time, but payment of the liability by the usual deadline is not necessary (see below).
- VAT returns due 7th April 2020 are included within the deferral period, so you are able to defer payment of these liabilities.
- Current government guidance states the defer option is only available to businesses with a UK VAT registration number. However, any businesses filing for B2C electronic services sales are not eligible for deferral.
- **If you have a DD mandate set-up with HMRC, these should be cancelled before VAT returns are filed, otherwise they will still attempt to take your money. HMRC have confirmed that this is a process they cannot stop, and requires action by business owners.**

You do not need to inform HMRC you aren't going to pay, it is presumed you will either pay on time or defer, however if you defer make sure you are aware of the following:

- You can defer VAT that is due from 20 March 2020 to end of June 2020
- You will not accrue interest charges whilst the deferred VAT is unpaid
- If you submit returns monthly, any deferred liabilities must be paid by the end of 31 March 2021
- If you submit returns quarterly, although HMRC have yet to confirm, the likely payments dates will be staggered in line with the quarter deferred i.e. 31 March 2021, 30 April 2021, 31 May 2021
- Cancel direct debits to be on the safe side.
- VAT returns **after** July are currently expected to return to normal and so you will need to reinstate your Direct Debit or you could end up not paying/receiving a penalty next quarter.
- It may be that the next quarters (after June) returns are also deferred but we will need to wait for government confirmation to see if deferral is extended or not.
- HMRC will pay refunds and credits as usual, so submit these as normal.
- Businesses **should** continue to charge VAT as normal.

This is a great opportunity for taxpayers to defer their VAT bills and allow the business to have some more cash flow than normal during these difficult times.